



The Conference Board

Corporate Directors' Compensation 1990 Edition

Highlights are:

- *another overall increase in outside director pay*
- *annual pay medians now at \$35,000 and up in some industries*
- *small gains for deferred compensation and stock option plans*
- *a halt in the trend toward retirement benefits*

Research Report No. 936

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The American Society of Corporate Secretaries is a 40-year-old professional association whose membership is composed principally of corporate secretaries, assistant secretaries, and other business executives involved in duties relating to the corporate secretarial function. The Society's 3,200 members represent 2,400 companies in the United States and Canada.

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Corporate Directors' Compensation 1990 Edition

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A Research Report from The Conference Board

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From the President

In today's uncertain and highly competitive corporate environment, there is little insulation between outside board members and the challenges (takeovers being perhaps chief among them) facing corporate managers. The Conference Board's annual survey of board compensation provides an invaluable barometric reading of the pressures on these board members, by measuring the value placed on their contributions and by reflecting the frustrations and risks that go with the job. Companies increasingly include an element of incentive in their view of director pay arrangements; the reluctance of qualified people to serve on boards is well documented.

This year's report includes detailed information on every aspect of director compensation and benefits, broken out both by industry and by company size. It also presents details on features of deferred compensation plans for directors, one of the most common benefits offered board members.

Our sincere thanks go to the National Office of the American Society of Corporate Secretaries for their help and guidance. We also acknowledge with gratitude the cooperation of the many individual Society members whose response to this survey make it possible.

PRESTON TOWNLEY
President

Highlights

- For the third year in a row, *42 percent of the responding companies* gave their outside directors some form of *pay increase*. A handful of companies reduced pay.

- *Overall figures* for median total annual board compensation registered *modest* gains of 5 percent for manufacturing companies and 3 percent in the financial group. However, nonfinancial service companies, a group that showed no gain last year, jumped up 17 percent in the current survey. This gain again made the median for nonfinancial service companies larger (but just barely) than that of financial firms. The new median figures are: \$25,100 for manufacturing, \$20,400 for financial firms, and \$20,550 nonfinancial service companies (Table 1).

- *Eight industries*—all but one in manufacturing—compared with two in the previous survey, *had a median total annual compensation exceeding \$30,000*. Those industries, and their median figures, are (Tables 3,5):

Drugs, pharmaceuticals, cosmetics, soaps	\$35,100
Transportation equipment, parts	\$35,000
Chemicals, paints, related products	\$34,150
Aerospace, aircraft and parts	\$32,625
Paper and forest products	\$32,150
Nonferrous metals	\$32,125
Miscellaneous financial services	\$32,000
Food, beverages, and related products	\$31,025

- The *median annual pay figure for the largest manufacturing firms*—those with \$5 billion or more in sales—*increased by a healthy 9 percent*, to \$44,000. This figure far exceeds the medians for financial firms (\$29,000) and nonfinancial service companies (\$32,000) in the same size category (Tables 4,6,8).

- *Six percent* of respondents (49 companies) *pay directors at least some of their annual board compensation in the form of company stock*, a figure unchanged from last year. (This figure does not include options to purchase stock, or stock payable as part of a retirement plan or a deferred compensation arrangement, or one-time awards of stock.)

- Dollar values of stock paid as part of annual compensation ranged from as low as \$75 to as high as \$20,000, the median being \$6,150. However, the two amounts of stock payment reported most frequently, by six companies each, are \$5,000 and \$10,000.

- In manufacturing and nonfinancial service companies, median annual *board retainers* increased to \$17,500 and \$13,000, respectively; the median retainer paid by financial companies stands unchanged at \$12,000 (Table 10). Similarly, median *fees paid for board meetings* increased in manufacturing (to \$900) and in nonfinancial services (to \$700), but remained unchanged for financial firms at \$700 (Table 14).

- *Paying extra for chairing board committees edged ahead* again; 47 percent reported this practice, up from 45 percent in 1988 and 43 percent in 1987 (Table 19).

- Overall, there was *no surge* in the percentage of companies providing *retirement benefits* (pensions) to their outside directors; 27 percent of respondents provide this benefit, about the same as the 28 percent in the previous survey (it was only 21 percent the time before that). Financial firms continue to lag behind the other industry groups in this practice (Tables 35, 36).

Method, Sample and Terminology

About Data Collection

The information for this report was collected during May and June of 1989 by means of a questionnaire sent to the members of the American Society of Corporate Secretaries. The total number of respondents on which the figures in the report are based is 805: 339 manufacturers, 212 financial companies, and 254 nonfinancial service firms. All respondents are United States companies, and in almost all cases, they are independent or parent companies, rather than subsidiaries.

Data Analysis

Industry and size categories

For analytical purposes, data are broken down in one of three ways:

- By three major industry categories (manufacturing, financial, nonfinancial service);
- By individual industries (44 in all) within those categories;
- By company size, using 14 size groups ranging from under \$10 million to over \$5 billion in sales, except for financial firms, whose size is measured in total assets.

Percentages and central tendencies

In most cases, the base used for calculating percentages is the number of companies that answered the particular question or part of a question. Companies that did not reply, or indicated that the question is not applicable, are omitted from the calculation.

Medians

Medians, rather than mathematical averages (means), are usually used to show representative or typical values. A median is the middle value in a distribution arrayed by size, above and below which lie an equal number of values.

Modes

Some tables show modes as well as medians. A mode is the value in a set of data that appears most frequently. Where

the greatest frequency is shared by two or more values, all such values are listed as modes.

Quartiles

Third quartiles are indicated in some tables. For this report, the third-quartile figure used is the *actual* number—in an array of values according to size—that is at, or nearest above, the 75th percentile point on a cumulative frequency scale.

Survey samples

The companies that respond are not always the same from one survey to the next. Thus, measurements of change between surveys are based on statistics from comparable samples, not change within an identical repeated sample.

Total annual compensation

The study uses a figure that is unique to this series: *total potential annual compensation (regular board service plus committee service) to representative outside directors*. In most cases this figure is provided specifically by the survey respondent; in other cases, it is calculated. It represents what a typical director of a given company makes in a year, if he or she attends all required board and committee meetings. We believe it to be the best single indication of board pay for use in comparing companies.

Terminology

This report deals only with compensation of the *outside director*, which for this purpose means a director who is not presently an employee of the company. The term *retainer* indicates in every case an amount paid on an annual basis (although it may actually be paid out in installments during the year), and that is not directly related to and does not depend on attendance at board (or committee) meetings. The term *fee* means an amount paid for attendance on a per-meeting basis.

"Regular board service" refers to meetings and other work of the *full board*, as distinguished from service as a member of one or more board committees.

Chapter 1

Total Annual Compensation of Outside Directors

This chapter contains information about how much outside directors make for a year's board work, including committee service. It presents this information by major industry category (manufacturing, financial, nonfinancial service), by 44 specific industries, and by company size within industry categories. It also includes both dollar figures and amounts and percentages of increase (or decrease) since the 1988 survey.

All tables in the chapter are based on one figure for each company, representing *what the most typical outside director on that company's board can expect to earn in a year*. (See box.) Later chapters deal separately with board-only compensation and with committee compensation.

Increases since 1988

For the third straight year, 42 percent of the respondents (331 companies) gave some form of pay raise to their outside directors. Only 1 percent *decreased* board compensation.

The raises that were given had the effect of increasing median annual compensation figures in each of the three industry groups. The median in manufacturing went up by \$1,100, or 5 percent, while in financial firms the increase was only \$600 (3 percent). However, the median for nonfinancial service companies jumped \$2,950—a 17 percent gain over last year. These changes are shown in Table 1.

Table 2 provides information on the amounts by which directors' pay was increased in the 299 companies that provided dollar figures. The highest median raise—\$3,500—was in manufacturing. This was also the case in 1988.

How Compensation was Increased

The following tabulation shows the methods used for giving pay increases to directors. Note from the first two items that half the companies either raised *only* the amount of the *annual retainer* paid for regular board service or else increased *all elements* of board compensation including committee pay.

Component(s) of Pay That Was/Were Increased	Number of Companies Mentioning
Board annual retainer only;	110
Board annual retainer and per-meeting fee;	58
Board annual retainer and per-meeting fee and committee pay;	48
Board annual retainer and committee pay;	28
Board and committee fees only;	25
Board per-meeting fee only;	24
Committee pay only;	14
Overall percentage increase;	1
Other	14

Compensation in Manufacturing Companies—by Industry

Table 3 presents information for 22 individual industries within the manufacturing category. Once again, median total annual compensation figures are up for some industries, down for others, but the table does show the effects of steady increases in pay for directors of manufacturing companies, overall, over the years. There are seven industries in the current survey with median total annual compensation figures exceeding \$30,000. The median for the drugs and pharmaceuticals industry—once again the industry with the highest median figure—is now slightly over \$35,000.

The upper ends of the ranges shown in Table 3 indicate that some manufacturing companies pay their most representative director much more than the median for their industry—sometimes twice as much, ranging to \$75,000 or more in a couple of cases.

About the Total Potential Annual Compensation Figure

One of the basic purposes of this survey is to provide a basis for useful comparisons. In particular, we have in mind the corporate reader (or director) who wants to see how his or her company's directors' compensation compares with that of companies of similar size in the same or a similar industry or industries. Thus, The Conference Board survey in recent years has emphasized one figure in particular for each participating company: how much a *typical* outside director of that company can expect to make, in total, for a full year's service on the board, counting committees. This figure serves as the basis for the tables presented in this chapter.

We call this figure "total potential annual compensation (regular board service plus committee service) to representative outside directors." It is based on the assumption that the typical director attends, and therefore is paid for, every board meeting and every meeting of every board committee on which he or she serves. It is the *potential* compensation for full participation.

Because the figure is for what the *most representative or typical* director on that board makes, some directors will make more, some less, depending on committee assignments or chairmanships.

Compensation in Manufacturing Companies—by Company Size

Table 4 gives figures for manufacturing firms on the basis of company size. In manufacturing, more than in the other two industry categories, there continues to be a positive correlation between the size of the company and the level of compensation of its directors. The median for the 59 companies in the largest group (sales of \$5 billion) is \$44,000, which is 75 percent higher than the median for all manufacturing companies (\$25,000).

Note that this table has third-quartile figures to help users of the report who want to know the practices of the better-paying companies.

Compensation in Financial Companies—by Industry

Figures for financial companies (again, median figures for total potential annual compensation) appear in Table 5 and 6. As with the manufacturing group, the large year-to-year changes indicated in Table 5 for most individual financial industries are insignificant, especially since the median annual pay figure for all financial companies combined changed by only 3 percent, as Table 1 shows.

Compensation in Financial Companies—by Company Size

Table 6 indicates that among financial companies, directors' pay is not as closely related to company size (measured in *assets*) as is the case with manufacturing companies.

(Note that Table 6 contains third-quartile figures.)

Compensation in Nonfinancial Service Companies—by Industry

Figures for the third major category are found in Tables 7 and 8. As Table 7 shows, five industries have a median annual pay figure topping \$25,000; only one median was that high last year.

Compensation in Nonfinancial Service Companies—by Company Size

Table 8 shows a correlation between pay and company size that is not quite as great as it is for manufacturing firms.

(Table 8 includes third-quartile figures.)

Table 1: Amounts and Changes of Median Total Potential Annual Compensation for Outside Directors in the Three Major Industry Categories, for 1988 and 1989¹

Industry Category	1988 Median Total Potential Annual Compensation	Percent of Increase (Decrease) Over 1987	1989 Median Total Potential Annual Compensation	Amount of Increase (Decrease) Over 1988	Percent of Increase (Decrease) Over 1988
Manufacturing	\$24,000	9%	\$25,100	\$1,100	5 %
Financial service	\$19,800	16	\$20,400	\$ 600	3
Nonfinancial service	\$17,600	(2)	\$20,550	\$2,950	17

¹Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

Table 2: Analysis of Compensation Increases for Those Companies that Reported Them, by Industry Category¹

	Industry Category		
	Manufacturing (138 Companies)	Financial (68 Companies)	Nonfinancial Service (93 Companies)
Range of increases	\$100-\$25,000	\$400-\$11,400	\$150-\$13,850
Median	\$ 3,500	\$ 2,850	\$ 2,500

¹Forty-two percent of the respondents reported an increase.

Table 3: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 339 Manufacturing Companies, by Industry¹

Industry	Number of Companies	Range of Compensation	1988	1989	Percent Increase (Decrease)
			Median Annual Compensation (401 Companies)	Median Annual Compensation (339 Companies)	
Aerospace, aircraft and parts	12	\$16,000-\$54,000	\$24,500	\$32,625	33%
Apparel and related products	6	\$10,500-\$35,000	\$21,100	\$26,700	27
Chemicals, paints and related products	16	\$ 9,500-\$60,000	\$27,500	\$34,150	24
Computers, electronics	36	\$ 2,400-\$48,900	\$18,750	\$20,000	7
Conglomerate or widely diversified	41	\$ 5,000-\$75,000	\$27,500	\$26,600	(3)
Construction, construction engineering	6	\$ 9,500-\$27,900	\$24,950	\$15,250	(39)
Construction materials and components	12	\$12,400-\$44,500	\$25,500	\$21,750	(15)
Containers, packaging	5	\$ 9,000-\$22,000	\$18,500	\$20,000	8
Drugs, pharmaceuticals, cosmetics, soaps ..	20	\$ 1,250-\$58,000	\$32,400	\$35,100	8
Electrical industrial equipment	6	\$17,000-\$41,200	\$23,375	\$27,500	18
Food, beverages and related products	18	\$14,000-\$69,300	\$28,800	\$31,025	8
Instruments, controls, optical products	11	\$ 3,000-\$55,000	\$18,600	\$19,250	3
Machinery	11	\$ 8,500-\$32,100	\$13,400	\$16,000	19
Miscellaneous consumer products	28	\$ 8,500-\$50,400	\$20,475	\$22,375	9
Miscellaneous industrial products	14	\$10,000-\$29,500	\$18,500	\$16,750	(9)
Motor vehicles and parts	11	\$12,500-\$67,083	\$25,900	\$27,600	7
Nonferrous metals	6	\$20,000-\$37,500	\$20,400	\$32,125	57
Paper and forest products	18	\$ 4,500-\$48,000	\$28,000	\$32,150	15
Petroleum products	32	\$ 400-\$77,900	\$24,000	\$25,875	8
Printing, printing products, publishing	16	\$ 7,000-\$49,000	\$24,000	\$25,250	5
Steel iron	9	\$15,000-\$36,240	\$24,550	\$28,500	16
Transportation equipment and parts	5	\$18,000-\$47,000	\$19,200	\$35,000	82

¹Based on amount paid to average or most representative board member(s) in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

Table 4: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 339 Manufacturing Companies, by Company Size¹

Company Size by Sales (Millions of Dollars)	Number of Companies	Range of Compensation	1988 Median Annual Compensation (401 Companies)	1989 Median Annual Compensation (339 Companies)	Percent Increase (Decrease)	1989 Third- Quartile Compensation ²
Under \$25	8	\$ 400-\$15,000	\$ 9,300	\$ 6,500	(30)%	\$11,050
25-49	18	\$ 2,000-\$16,200	\$ 7,500	\$ 9,650	29	\$13,000
50-99	22	\$ 6,500-\$30,000	\$10,800	\$12,250	13	\$16,000
100-149	17	\$ 9,500-\$30,000	\$14,000	\$17,000	21	\$19,900
150-199	10	\$10,500-\$29,050	\$16,000	\$18,500	16	\$20,900
200-349	34	\$ 4,500-\$45,000	\$17,950	\$16,075	(10)	\$20,000
350-499	23	\$ 6,500-\$35,000	\$19,500	\$20,000	3	\$26,600
500-749	25	\$14,000-\$50,400	\$21,050	\$20,600	(2)	\$27,000
750-999	17	\$14,000-\$32,000	\$24,100	\$25,000	4	\$28,250
1,000-1,999	57	\$ 2,550-\$74,000	\$27,250	\$27,200	—	\$31,500
2,000-2,999	21	\$18,000-\$52,000	\$30,800	\$34,200	11	\$39,000
3,000-4,999	28	\$ 5,000-\$58,000	\$34,600	\$36,750	6	\$45,000
5,000 and over	59	\$27,400-\$77,900	\$40,250	\$44,000	9	\$51,800

¹Based on amount paid to average or most representative board member(s) in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

²Figure for company at, or nearest above, 75 percent point in range.

Table 5: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 212 Financial Companies, by Industry¹

Industry	Number of Companies	Range of Compensation	1988 Median Annual Compensation (231 Companies)	1989 Median Annual Compensation (212 Companies)	Percent Increase (Decrease)
Bank holding company	83	\$2,000-\$57,000	\$18,600	\$21,000	13 %
Commercial banking	10	\$7,700-\$33,500	\$15,800	\$11,875	(25)
Savings institution	28	\$3,000-\$40,000	\$15,000	\$20,200	35
Insurance—mutual fire and casualty	8	\$5,000-\$54,000	\$21,000	\$20,100	(4)
Insurance—stock fire and casualty	18	\$ 2,500-46,500	\$20,900	\$22,833	9
Insurance—mutual life	8	\$8,800-\$49,250	\$34,000	\$21,400	(10)
Insurance—stock life	13	\$3,000-\$30,000	\$22,400	\$20,250	(10)
Investment company (including real estate trusts)	21	\$8,000-\$50,000	\$12,550	\$18,000	43
Miscellaneous financial service	23	\$4,000-\$55,000	\$27,625	\$32,000	16

¹Based on amount paid to average or most representative board member(s) in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

Table 6: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 212 Financial Companies, by Company Size¹

Company Size by Assets (Millions of Dollars)	Number of Companies	Range of Compensation	1988 Median Annual Compensation (230 Companies)	1989 Median Annual Compensation (212 Companies)	Percent Increase (Decrease)	1989 Third- Quartile Compensation ²
Under \$100	8	\$4,000-\$35,000	\$ 8,550	\$13,250	55 %	\$28,000
100-149	9	\$2,500-\$50,000	\$10,000	\$10,500	5	\$19,500
150-199	5	\$4,500-\$22,000	\$10,200	\$ 8,000	(22)	\$10,000
200-349	11	\$7,000-\$28,000	\$ 8,000	\$11,000	38	\$14,000
350-499	15	\$4,500-\$26,800	\$10,700	\$12,900	21	\$17,200
500-749	17	\$4,600-\$33,000	\$10,500	\$10,200	(3)	\$15,500
750-999	4	\$5,400-\$49,000	\$15,000	\$16,200	8	\$20,400
1,000-1,999	22	\$2,000-\$50,000	\$14,400	\$14,350	—	\$20,400
2,000-2,999	15	\$11,000-\$42,500	\$11,650	\$22,500	93	\$25,000
3,000-4,999	19	\$7,500-\$46,500	\$20,450	\$21,200	4	\$25,350
5,000 and over	67	\$8,000-\$57,500	\$27,025	\$29,000	7	\$36,500

¹Based on amount paid to average or most representative board member(s) in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

²Figure for company at, or nearest above, 75 percent point in range.

Table 7: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 254 Nonfinancial Service Companies, by Industry¹

Industry	Number of Companies	Range of Compensation	1988 Median Annual Compensation (276 Companies)	1989 Median Annual Compensation (254 Companies)	Percent Increase (Decrease)
Computer services, systems, software	5	\$12,000-\$22,100	N/A	\$17,400	N/A
Conglomerate or widely diversified (mostly nonmanufacturing)	7	\$16,500-\$63,000	\$23,350	\$28,500	22%
Department stores, other nonfood retail stores	16	\$ 4,000-\$45,100	\$21,000	\$25,400	21
Public utility:					
Electricity only	41	\$ 6,100-\$40,200	\$17,550	\$19,750	13
Electricity and gas	37	\$ 8,550-\$30,200	\$17,100	\$17,800	4
Gas only	27	\$ 6,250-\$40,000	\$17,450	\$18,900	8
Telephone company	10	\$17,400-\$38,000	\$21,600	\$29,550	37
Restaurants, lodging, entertainment	11	\$ 2,800-\$33,800	\$16,750	\$17,500	4
Supermarkets, convenience stores, drug stores	6	\$ 9,400-\$36,000	\$18,500	\$26,050	41
Transportation	15	\$ 8,000-\$59,300	\$25,150	\$27,000	7
Wholesale merchandising	7	\$ 8,475-\$41,000	N/A	\$18,400	N/A
Holding company ²	28	\$ 4,000-\$50,000	\$23,250	\$24,950	7
Miscellaneous service(s) ³	44	\$ 1,400-\$65,000	\$15,500	\$18,350	18

¹Based on amount paid to average or most representative board member(s) in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees. N/A = not available.

²Excludes bank holding companies.

³Includes such industries as consulting, health care, research, and technical services.

Table 8: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 253 Nonfinancial Service Companies, by Company Size¹

Company Size by Sales (Millions of Dollars)	Number of Companies	Range of Compensation	1988 Median Annual Compensation (273 Companies)	1989 Median Annual Compensation (253 Companies)	Percent Increase (Decrease)	1989 Third- Quartile Compensation ²
Under \$50	15	\$ 2,000-\$20,500	\$ 7,500	\$12,000	60 %	\$17,250
50-99	21	\$ 2,800-\$20,750	\$11,200	\$13,900	24	\$17,400
100-149	14	\$ 1,400-\$28,750	\$14,500	\$18,350	27	\$28,300
150-199	11	\$ 4,000-\$29,500	\$11,000	\$22,100	101	\$26,600
200-349	22	\$ 6,250-\$28,500	\$15,400	\$16,575	8	\$22,000
350-499	18	\$ 9,850-\$24,500	\$16,000	\$17,600	11	\$19,000
500-749	31	\$ 8,400-\$33,300	\$17,500	\$17,000	(3)	\$21,200
750-999	17	\$13,800-\$33,800	\$17,900	\$20,200	13	\$24,000
1,000-1,999	30	\$10,500-\$38,000	\$21,000	\$24,850	18	\$27,800
2,000-2,999	25	\$ 9,400-\$65,000	\$26,075	\$28,300	9	\$36,000
3,000-4,999	19	\$19,750-\$52,000	\$28,750	\$30,000	4	\$35,000
5,000 and over	30	\$20,000-\$59,300	\$33,000	\$32,200	(2)	\$39,000

¹Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

²Figure for company at, or nearest above, 75 percent point in range.

Chapter 2

Forms and Amounts of Compensation for Regular Board Service

This chapter breaks down one of the two major components of total annual compensation for directors: compensation for regular, or full board, service. (Board *committee* pay, the other component, is covered in Chapter 3.) The information includes the form(s) of payment made to directors for board service—annual retainers, per-meeting fees, or both—and the dollar amounts of these payments. It also includes calculations of *total* board-only compensation and of the proportion of board-only pay to total annual compensation (committee pay included). Finally, there are tables showing frequency of board meetings by industry category, by company size, and by board meeting length.

Annual Retainers

More than 90 percent of surveyed companies pay their outside directors an annual retainer (a fixed annual amount). The retainer serves as a base pay for board membership. Many companies also pay a per-meeting fee to compensate directors for board meeting attendance (and to induce them to attend), but the retainer is usually the major component of board pay.

Table 9 gives figures for the relative use of retainers and fees as compensation for board service. It also shows that financial firms use retainers somewhat less (89 percent) than do firms in the other two categories, a finding consistent with past surveys.

Table 10 summarizes information on the size of retainers paid for regular board service. It shows the range and the median of retainers reported in the 1989 survey for the three major industry groups. Note that in both the manufacturing and nonfinancial service categories there was a substantial increase in the size of the median retainer paid, whereas the figure for financial companies is unchanged from last year.

Tables 11, 12, and 13 show a more detailed picture of the magnitude of retainers, analyzing them by company size. They illustrate that:

- *Retainer size tends to increase with company size, especially in manufacturing firms. Although the relationship is least marked in the financial category, the largest median does*

occur among the largest companies (\$5 billion in assets or more) in this group.

- *Manufacturing companies continue to pay the highest retainers.*

The third-quartile figures in these tables give an indication of retainers paid by the better-paying companies in each size category.

Per-meeting Fees

Table 14 deals with per-meeting fees for regular board meetings. The key figure is the median fee for companies that pay both a fee and a retainer. The \$900 median fee for manufacturing companies—an increase over last year—puts this category considerably ahead of financial and nonfinancial service firms, both of which have median fees of \$700.

Total Board-only Compensation

Table 15 presents figures on how much directors earn for board-only service, counting both retainers plus fees paid for attending board meetings but *leaving out* payment (if any) that is specifically for *committee* service. These figures are given for the three major industry categories, by company size.

Frequency and Length of Board Meetings

In general, financial companies hold more board meetings than do other kinds of firms (see Table 16). The median number of meetings for manufacturing companies and for nonfinancial service companies is six. For financial companies, however, the median is nine and the most commonly reported frequency is twelve.

Table 17, which shows frequency of board meetings for all three categories of firms for six company size categories, indicates that the median number of meetings is larger as companies get larger, except among financial firms.

Table 18 shows that board meeting *length* actually tends to be *shorter* as company size increases. This may reflect the fact that larger companies have more board committees (see Chapter 3) whose separate deliberations save time when the

full board takes up matters dealt with in committee. Also, boards of smaller companies meet less frequently, so that each meeting has more ground to cover.

Note that the figures in this table apply only to meetings of the full board. Attending meetings of board committees can add considerably to the hours indicated in Table 18.

Payment in Company Stock

As part of a trend in recent years toward improving and diversifying board compensation, the idea of using shares of company stock for this purpose has become more popular. There are several methods by which companies are increasing the amount of stock held by outside board members. These vary from outright payment of stock on an annual basis to plans that make it possible for directors to acquire stock on their own (at an advantageous price or on easy terms). A list of these variations would include the following:

- Payment of stock in addition to, or in lieu of, cash, as part of annual board compensation;
- One-time grants or awards of stock (at the time of joining the board, for example);
- Deferred compensation plans that offer the option of payment in the form of stock upon leaving the board;

- Stock options;
- Stock purchase plans.

The first two items—annual payment of stock and one-time grants of stock—are pertinent to this chapter because they are analogous to cash compensation or, in the second instance, to a cash bonus. One finding of the current survey is that *just 6 percent* of the respondents, or 49 companies, follow the first practice of including at least some *stock as part of annual director compensation*. This figure is unchanged from last year, indicating that making stock a part of the annual board retainer is not a major trend.

For the 41 companies that provided information on the dollar value of annual stock payments, the median amount reported is \$6,166, but figures ranged as high as \$20,000. The amounts mentioned most often (by six firms), are \$5,000 and \$10,000.

This year's survey did not ask for further details about yearly stock payments. An adjoining box presents pertinent information from last year's survey that the reader might find useful.

Note that Chapter 4, which deals with *benefits* for directors, contains information from the current survey about *stock options* and the use of stock in connection with deferred compensation plans.

Some Details from Last Year's Survey: Payment of Stock (Not Options) to Outside Directors

Fifty-one companies, or *six percent*, include at least some *stock as part of the annual compensation* of their outside directors. This is a slight increase over the four percent reported in each of the two previous surveys. There is an approximately even split between those companies that give stock as an *addition or supplement* to a fixed level of cash compensation and those that pay stock *in lieu of cash*. Forty-four of the companies that make annual stock payment or awards specified what the dollar value was to the typical individual director; the amounts ranged from as little as \$50 to as much as \$19,000, but the median is \$5,000.

A small group of companies does not make awards of stock annually but does so *at the time of a director's election or re-election to a three-year board term*. In some cases the award vests one-third each year and unvested shares are forfeited if the director leaves the board.

A third approach, reported by a dozen companies, is to make *one-time awards* of shares to outside board members. Amounts of such grants reported include fairly generous amounts, such as \$15,000 in stock in one case, 10,000 shares in another.

Fifteen of the companies that pay or award stock to directors in these various ways specify that the shares used involve

restrictions and are not simple common stock. Some make the shares forfeitable if the director leaves the board—by choice—before retirement; others prohibit the stock from being sold or otherwise transferred by the director until a specified period has elapsed; some apply both these restrictions. And some awards have vesting features that confer actual ownership on the director only in stages.

There are many variations in the methods used to pay stock to directors. A few examples:

- One company requires directors to take at least 50 percent of their annual compensation in stock; directors can elect to go as high as 100 percent. Another company has a similar policy but sets a minimum of stock with a value of \$4,000.
- In one company, directors under 60 years of age must take the value of the annual board retainer in the form of stock; directors older than that must take cash.
- A bank holding company applies a specific, flexible arrangement to directors who own 10,000 or more of company stock independently from any received through the firm's payment-by-stock policy (these directors can choose not to receive further shares as part of their pay).

From *Corporate Director's Compensation, 1989 Edition*, Research Report No. 922, p.7.

Table 9: Forms of Compensation for Regular Board Service

Forms of Compensation	Percent of Companies Using Each		
	334 Manufacturing Companies	211 Financial Companies	250 Nonfinancial Service Companies
Annual retainer:			
Both retainer and per-meeting fee	85%	78%	86%
Retainer only	11	11	10
Total paying retainer	96%	89%	96%
Per-meeting fee only	4	11	4
Totals	100%	100%	100%

Table 10: Retainers Paid for Regular Board Service, by Industry Category¹

Industry Category	Number of Companies by Method of Payment	Range of Retainers	Median Retainer	Amount of Increase in Median Over 1988
Manufacturing	283 that pay retainer and fee 37 that pay retainer only	\$1,500-\$40,000 \$3,000-\$65,000	\$17,500 \$16,000	\$2,500 a
Financial	163 that pay retainer and fee 23 that pay retainer only	\$1,200-\$50,000 \$6,000-\$50,000	\$12,000 \$18,000	0 a
Nonfinancial service	216 that pay retainer and fee 24 that pay retainer only	\$2,000-\$30,000 \$5,000-\$50,000	\$13,000 \$17,750	\$2,000 a

¹Annual retainers; fees for board meetings and all extra payments for committee service are excluded.

^aChange not shown because of the small sample.

Table 11: Retainers Paid for Regular Board Service by 324 Manufacturing Companies, by Company Size

Company Size by Sales (Millions of Dollars)	Number of Companies	Range of Retainers	Median Retainer	Third- Quartile Retainer ¹
Under \$100	36	\$ 1,500-\$15,000	\$ 7,500	\$10,000
100-149	17	\$ 5,000-\$22,000	\$12,000	\$12,500
150-199	10	\$ 7,500-\$22,000	\$13,000	\$16,000
200-349	33	\$ 3,000-\$20,000	\$10,000	\$12,500
350-499	23	\$ 4,000-\$24,000	\$14,000	\$15,000
500-749	25	\$ 7,000-\$50,400	\$15,000	\$20,000
750-999	16	\$ 6,000-\$20,000	\$15,500	\$18,000
1,000-1,999	57	\$ 6,000-\$32,000	\$18,000	\$20,000
2,000-2,999	20	\$13,200-\$43,800	\$22,000	\$25,000
3,000-4,999	28	\$12,000-\$37,500	\$22,500	\$26,300
5,000 and over	59	\$15,000-\$65,000	\$25,000	\$28,000

¹Figure for company at, or nearest above, 75 percent point in range.

Table 12: Retainers Paid for Regular Board Service by 187 Financial Companies, by Company Size

<i>Company Size by Assets (Millions of Dollars)</i>	<i>Number of Companies</i>	<i>Range of Retainers</i>	<i>Median Retainer</i>	<i>Third- Quartile Retainer¹</i>
Under \$100	7	\$2,400-\$35,000	\$ 6,000	\$15,000
100-149	3	\$5,000-\$50,000	\$ 7,500	\$50,000
150-199	4	\$4,000-\$10,000	\$ 6,000	\$ 6,000
200-349	9	\$3,600-\$24,000	\$ 7,200	\$10,000
350-499	12	\$1,200-\$10,000	\$ 6,500	\$10,000
500-749	12	\$3,600-\$16,000	\$ 6,000	\$10,000
750-999	4	\$3,000-\$20,000	\$13,000	\$14,000
1,000-1,999	16	\$1,200-\$20,000	\$ 6,000	\$12,000
2,000-2,999	15	\$5,000-\$42,500	\$12,000	\$15,000
3,000-4,999	19	\$4,000-\$25,000	\$12,000	\$15,000
5,000 and over	86	\$4,000-\$50,000	\$16,000	\$20,000

¹Figure for company at, or nearest above, 75 percent point in range.

Table 13: Retainers Paid for Regular Board Service by 242 Nonfinancial Service Companies, by Company Size

<i>Company Size by Sales (Millions of Dollars)</i>	<i>Number of Companies</i>	<i>Range of Retainers</i>	<i>Median Retainer</i>	<i>Third- Quartile Retainer¹</i>
Under \$100	30	\$ 2,500-\$19,800	\$ 8,400	\$12,000
100-149	14	\$ 8,000-\$22,000	\$13,000	\$15,000
150-199	9	\$ 6,000-\$20,000	\$17,500	\$18,000
200-349	22	\$ 3,000-\$20,000	\$ 9,500	\$14,400
350-499	18	\$ 2,000-\$15,000	\$10,500	\$12,500
500-749	30	\$ 4,800-\$15,500	\$10,000	\$13,200
750-999	17	\$ 6,000-\$24,000	\$13,000	\$14,000
1,000-1,999	30	\$ 6,000-\$30,000	\$15,000	\$16,400
2,000-2,999	24	\$ 5,400-\$25,000	\$18,000	\$20,000
3,000-4,999	19	\$10,000-\$35,000	\$18,000	\$25,000
5,000 and over	29	\$10,000-\$50,000	\$20,000	\$23,000

¹Figure for company at, or nearest above, 75 percent point in range.

Table 14: Fees Paid for Regular Board Meetings

<i>Industry Category</i>	<i>Companies by Method of Payment</i>	<i>Range of Fees</i>	<i>Median Fee</i>	<i>Changes from 1988</i>
Manufacturing	282 that pay fee and retainer	\$250-\$3,000	\$900	+ \$150
	13 that pay fee only	\$100-\$3,750	\$750	a
Financial	164 that pay fee and retainer	\$100-\$4,500	\$700	0
	24 that pay fee only	\$200-\$4,000	\$525	a
Nonfinancial service	215 that pay fee and retainer	\$150-\$2,200	\$700	+ \$100
	10 that pay fee only	\$200-\$5,000	\$1,875	a

^aChange not shown because of small sample.

Table 15: Total Board-only Annual Compensation, by Company Size¹

Company Size by Sales ² (Millions of Dollars)	Manufacturing		Financial		Nonfinancial Service	
	Number of Companies	Median Board-Only Compensation	Number of Companies	Median Board-Only Compensation	Number of Companies	Median Board-Only Compensation
Under \$10	4	\$ 4,875	2	\$10,600	5	\$15,000
10-24	4	\$ 6,250	2	\$18,500	7	\$10,800
25-49	18	\$ 8,800	3	\$ 8,500	3	\$ 7,400
50-99	22	\$11,000	1	\$ 8,000	21	\$12,000
100-149	17	\$14,000	9	\$ 7,700	14	\$16,400
150-199	10	\$15,750	5	\$ 6,400	11	\$18,600
200-349	34	\$14,350	11	\$ 9,200	22	\$14,965
350-499	23	\$18,000	15	\$ 9,200	18	\$16,000
500-749	25	\$19,000	17	\$ 9,000	31	\$14,300
750-999	17	\$20,000	4	\$15,000	17	\$17,000
1,000-1,999	57	\$23,700	22	\$ 9,800	30	\$20,050
2,000-2,999	21	\$30,000	15	\$16,000	25	\$22,000
3,000-4,999	28	\$30,000	19	\$17,500	19	\$24,800
5,000 and over	59	\$34,300	87	\$23,600	30	\$26,900

¹Annual compensation for regular board service only, excluding any pay for committee service. (In some companies this payment is intended to compensate directors for committee service as well as full board service; 11 percent of respondents do not pay separately for committees.)

²By assets for financial companies.

Table 16: Number of Board Meetings Per Year, by Industry Category

Industry Category	Range of Meeting Frequencies	Median Mode	
		Median	Mode
Manufacturing	2-14	6	4
Financial	2-24	9	12
Nonfinancial service	4-15	6	4

Table 17: Number of Board Meetings Per Year, by Company Size and Industry

Company Size by Sales ¹ (Millions of Dollars)	Frequency of Board Meetings								
	Manufacturing			Financial			Nonfinancial Service		
	Range	Median	Mode	Range	Median	Mode ²	Range	Median	Mode
Under \$100	4-12	5	4	4-12	5.5	4	4-12	5	4
100-199	4-12	5	4	4-13	7.5	4	4-12	6	6
200-499	4-12	5	4	3-18	12	4,12,13	4-14	6	4
500-999	4-12	5	5	4-24	12	12	4-15	6	4
1,000-2,999	2-12	7.5	8	4-15	10	12	4-15	6	6
3,000 and over	3-14	9	10	2-15	8	12	4-13	8	8

¹By assets for financial companies.

²If the greatest frequency of mention is common to more than one value, all such values are listed as modes.

Table 18: Length of Typical Board Meeting in Hours, by Company Size and Industry

Company Size by Sales ¹ (Millions of Dollars)	Length of Board Meeting (Hours)								
	Manufacturing			Financial			Nonfinancial Service		
	Range	Median	Third- Quartile ²	Range	Median	Third- Quartile	Range	Median	Third- Quartile
Under \$100	1.5-10	4	5	1.5-7	2.75	3	1-11	4	5
100-199	1.5-8	3	4	1-5	2.5	3	2-5	3	4
200-499	1-8	3	4	1-7	2.75	3.5	1-8	3	3.3
500-999	2-10	3	4	1.5-5	3	3	.5-8	3	3
1,000-2,999	1.5-8	3	3	.5-5	2	3	1.5-6.5	3	4
3,000 and over	1.5-6	3	3	.5-8	2	3	1-4	2.5	3

¹By assets for financial companies.

²Figure for company at, or nearest above, 75 percent point in range.

Chapter 3

Compensation for Service on Board Committees

This chapter presents information on compensation paid specifically for serving on board committees—payment in addition to remuneration for regular board service. It includes findings on compensation to chairmen of board committees when that responsibility is rewarded with higher pay. The chapter also contains data on how many committees the surveyed companies have and how often they meet.

Prevalence of Payment for Board Committees

Almost every company in the survey has at least one committee of the board (99 percent) and in fact, as Table 29 shows, about 85 percent have *more than two* board committees.

The great majority of companies with board committees (89 percent) pay directors in some form for committee service, in addition to compensation for full board service (Table 19).

Methods of Payment for Board Committees

Table 20 lists 12 of the most common board committees and the number of surveyed firms that have such committees. The table also shows the number of companies that pay for serving on each committee and by what method or methods. The per-meeting fee remains by far the most frequent means of compensating directors for committee service.

Amounts of Payment for Board Committees

Dollar figures for service on principal board committees in the three major industry categories are presented in Tables 21, 22 and 23. The tables show ranges and medians of fees and retainers paid for each type of committee.

Committee fees continue to be higher in the manufacturing sector, where medians for a majority of committees are now \$750 or above, up from \$700 last year (Table 21). For nonfinancial service firms, medians range from \$500 to \$750 (Table 23); among financial institutions, \$500 is still the most common (Table 22).

Only a minority of companies use an annual retainer to pay for board committee service. The tables show that median retainers of either \$2,500 or \$3,000 prevail for most major committees except in the case of nonfinancial service firms, where there is less of a pattern.

Table 24 indicates that median retainers paid for committee service tend to differ depending on whether a company also pays a per-meeting fee for committees.

Table 25 shows that even though median fees for committee service are lower in the financial sector than in the other industry groups, directors of financial firms get a somewhat higher proportion of their total board compensation in the form of committee pay. This is explained by the fact that financial firms tend to have more board committees *and* have a higher committee meeting frequency, on average, than other companies, as shown later in this chapter.

However, among companies in the size category of \$3 billion and over (not shown in a table), the median percentages of committee pay to total pay are pretty much the same in manufacturing and finance (20 percent and 21 percent, respectively). For nonfinancial service firms the percentage stays at 14 percent in these largest companies.

Forms and Amounts of Payment to Chairmen of Board Committees

In recent years there has been a gradual trend in favor of paying committee chairmen an amount greater than others on the committee receive or a payment where regular members receive none. Table 19 shows that 47 percent of companies in the current survey pay committee chairmen extra, up from 45 percent last year and 43 percent the year before. Tables 26, 27, and 28 spell out the forms and amounts of compensation paid for chairing principal committees, as reported by companies in the three major industry categories. Some highlights from these tables:

- Whereas the *fee* is the most common vehicle for paying for general committee *service*, the *retainer* is favored for compensating committee *chairmen*.
- The tables do not point to any particular change in medians for either annual retainers or per-meeting fees for committee chairmen from 1988.
- Median per-meeting fees (but not retainers) paid to committee chairmen continue to be lowest in financial firms.
- The highest retainers (top-of-the-range figures, not medians) are paid to chairmen of audit, compensation, executive

and finance committees; amounts of \$25,000 or more are reported for such chairmen. The largest amount reported for a committee chairmanship, \$175,000, goes to the head of a manufacturing firm's executive committee.

Number of Committees per Company

From the point of view of the individual director, compensation as a member of a particular board is affected by how many committees he or she serves on. This can depend, in turn, on how many different committees that board has.

Tables 29 and 30 deal with the number of committees reported per company; the first table is broken down by industry category, the second by company size. Financial companies have the highest number of committees per company, on average (Table 29); note that 37 percent of the financial firms have *more than four* board committees, whereas only 33 percent of manufacturers and 32 percent of nonfinancial service firms have that many. On the other hand, the median figures in Table 30 show less of a correlation in the financial sector between

company size and number of committees than is the case in the other two industries.

How often Committees Meet

Table 31 shows the frequency with which the 12 most common board committees meet. The most common median meeting frequencies among these committees are two and three times a year. However, the columns in the table showing ranges indicate that some committees meet quite often compared to median practice—weekly, in some cases. A director on a busy committee who is paid on a meeting-fee basis stands to earn considerably more than board members who serve on less active committees.

Table 31 also indicates that financial companies, which tend to have more board committees, also have a somewhat busier committee meeting schedule, judging by both the median and mode figures.

Table 32 presents data for committee meeting frequency by company size.

Table 19: Incidence of Payment for Members and Chairmen of Board Committees

Practice	1989		1988 Percent
	Number of Companies	Percent ¹	
Pay extra for committee service	707	89%	88%
Pay chairmen of committee(s) more than committee members	372	47	45

¹Percentage based on number of companies that have at least one committee.

Table 20: Prevalence and Methods of Payment for Principal Board Committees, in 805 Companies

Committee	Number of Companies with Committee	Percent	Number of Companies Paying for Committee	Percent ¹	Methods of Payment Used (by Number of Companies)		
					Fee Only	Fee and Retainer	Retainer Only
Audit	783	97%	665	85%	552	76	37
Compensation	658	82	544	83	461	53	30
Executive	568	71	431	76	350	55	26
Nominating	393	49	328	83	278	36	14
Finance	217	27	198	91	171	23	4
Employee benefits/pension	147	18	111	76	97	11	3
Stock option	106	13	57	54	49	7	1
Public policy	85	11	80	94	62	15	3
Investment	67	8	55	82	49	1	5
Planning	56	7	49	88	43	3	3
Human resources	48	6	43	90	40	2	1
Contributions	27	3	15	56	12	2	1

¹Based on the number of companies that have such a committee.

Table 21: Forms and Amounts of Payment for Principal Board Committees, Manufacturing Companies

Committee	Forms and Amounts of Payment					
	Fees			Retainers		
	Number of Companies	Range	Median	Number of Companies	Range	Median
Audit	263	\$ 75-\$3,000	\$ 750	58	\$ 400-\$12,000	\$2,500
Compensation	233	\$ 75-\$7,500	\$ 750	49	\$ 500-\$12,000	\$2,500
Executive	147	\$250-\$1,900	\$ 750	40	\$ 300-\$17,000	\$2,500
Nominating	143	\$ 75-\$6,600	\$ 750	33	\$ 600-\$12,000	\$2,500
Finance	70	\$ 50-\$1,000	\$ 450	14	\$1,000-\$15,000	\$2,750
Employee benefits/pension	48	\$300-\$1,300	\$ 775	9	\$ 400-\$ 7,000	\$3,000
Public policy	36	\$500-\$1,300	\$1,000	13	\$1,000-\$12,000	\$3,000
Stock option	27	\$100-\$1,000	\$ 600	7	\$ 200-\$ 5,000	\$2,000
Planning	11	\$350-\$1,000	\$ 750	4	\$1,500-\$10,000	\$2,500
Human resources	11	\$500-\$ 850	\$ 600	1	\$1,500	\$1,500
Investment	10	\$500-\$1,000	\$ 775	1	\$5,000	\$5,000
Contributions	5	\$600-\$1,000	\$1,000	1	\$3,000	\$3,000

Table 22: Forms and Amounts of Payment for Principal Board Committees, Financial Companies

Committee	Forms and Amounts of Payment					
	Fees			Retainers		
	Number of Companies	Range	Median	Number of Companies	Range	Median
Audit	160	\$100-\$2,000	\$500	32	\$ 500-\$25,000	\$3,000
Compensation	113	\$100-\$1,500	\$500	16	\$ 500-\$15,000	\$3,000
Executive	125	\$100-\$1,500	\$500	17	\$ 600-\$10,000	\$3,000
Nominating	77	\$100-\$1,500	\$500	7	\$ 500-\$ 3,000	\$3,000
Finance	32	\$ 50-\$2,450	\$475	8	\$ 700-\$15,000	\$3,000
Employee benefits/pension	23	\$100-\$1,500	\$500	2	\$1,500	\$1,500
Public policy	17	\$300-\$1,000	\$750	2	\$1,000-\$ 2,000	\$1,500
Stock option	18	\$150-\$1,000	\$490	0	—	—
Planning	14	\$100-\$1,500	\$500	0	—	—
Human resources	21	\$150-\$1,500	\$500	1	\$1,000	\$1,000
Investment	31	\$100-\$1,500	\$480	4	\$ 500-\$15,000	\$5,875
Contributions	6	\$200-\$ 750	\$550	1	\$3,000	\$3,000

Table 23: Forms and Amounts of Payment for Principal Board Committees, Nonfinancial Service Companies

Committee	Forms and Amounts of Payment					
	Fees			Retainers		
	Number of Companies	Range	Median	Number of Companies	Range	Median
Audit	205	\$125-\$2,000	\$600	23	\$ 500-\$16,000	\$ 3,000
Compensation	174	\$100-\$2,000	\$600	18	\$ 500-\$12,000	\$ 3,000
Executive	130	\$ 50-\$2,000	\$750	23	\$ 500-\$15,000	\$ 3,000
Nominating	89	\$100-\$1,250	\$650	9	\$1,000-\$16,000	\$ 3,150
Finance	67	\$100-\$1,200	\$500	5	\$3,500-\$10,000	\$ 4,500
Employee benefits/pension	36	\$200-\$2,000	\$500	3	\$1,200-\$ 3,650	\$ 2,000
Public policy	23	\$250-\$1,100	\$750	3	\$1,200-\$ 9,000	\$ 2,000
Stock option	11	\$200-\$1,250	\$500	1	\$16,000	\$16,000
Planning	19	\$300-\$1,200	\$500	1	\$ 2,000	\$ 2,000
Human resources	10	\$400-\$1,000	\$725	1	\$ 2,750	\$ 2,750
Investment	8	\$425-\$2,000	\$825	1	\$ 9,000	\$ 9,000
Contributions	3	\$500-\$ 700	\$500	1	\$ 9,000	\$ 9,000

Table 24: Median Retainers Paid, With and Without Per-Meeting Fees, for Five Principal Board Committees

Committee	Median					
	Manufacturing		Financial		Nonfinancial Service	
	Companies that Pay Both Retainer and Fee	Companies that Pay Only Retainer	Companies that Pay Both Retainer and Fee	Companies that Pay Only Retainer	Companies that Pay Both Retainer and Fee	Companies that Pay Only Retainer
Audit	\$2,250	\$4,500	\$2,500	\$3,100	\$2,825	\$2,000 ^a
Compensation	\$2,250	\$4,200	\$3,000	\$2,250	\$2,700	\$2,000 ^a
Executive	\$2,500	\$5,400	\$3,000	—	\$2,500	\$2,650
Nominating	\$2,250	\$4,200	\$2,500	—	\$3,075	—
Finance	\$2,500	\$5,400 ^a	\$3,000	—	\$3,650	—

^aOne company.

Table 25: Committee Compensation as a Percentage of Total Compensation, in 795 Companies¹

Industry Category	Range of Percentages	Median Percentage
Manufacturing	0%– 67%	13%
Financial	0%– 80%	16%
Nonfinancial service	0%– 67%	13%

¹Excludes ten companies that have no committees.

Table 26: Compensation of Chairmen of Board Committees, Manufacturing Companies¹

Committee	Number of Companies that Pay Chairmen a Retainer	Range of Retainer	Median Retainer	Number of Companies that Pay Chairmen a Fee	Range of Fees	Median Fees
Audit	117	\$1,000–\$ 25,000	\$3,000	72	\$200–\$18,000	\$ 800
Compensation	106	\$ 300–\$ 18,000	\$3,000	63	\$200–\$ 8,000	\$ 750
Executive	42	\$1,000–\$175,000	\$3,000	35	\$250–\$ 2,000	\$ 750
Nominating	73	\$ 900–\$ 25,000	\$2,500	46	\$200–\$ 2,000	\$ 800
Finance	36	\$1,000–\$125,000	\$2,750	26	\$400–\$18,000	\$ 975
Employee benefits/pension	29	\$1,000–\$ 10,000	\$3,000	17	\$250–\$ 2,000	\$ 900
Public policy	21	\$1,000–\$ 14,000	\$4,000	8	\$500–\$ 4,000	\$ 850
Stock option	8	\$1,000–\$ 12,000	\$2,250	6	\$375–\$ 1,600	\$ 525
Planning	4	\$1,000–\$ 7,000	\$2,375	1	\$1,200	\$1,200
Human resources	6	\$1,000–\$ 6,500	\$2,250	5	\$650–\$ 1,200	\$ 900
Investment	2	\$2,000–\$ 2,500	\$2,250	5	\$750–\$ 2,000	\$1,100
Contributions	3	\$2,000–\$ 5,000	\$3,000	2	\$700–\$ 1,200	\$ 950

¹Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees can not be determined from the data.

Table 27: Compensation of Chairmen of Board Committees, Financial Companies¹

Committee	Number of Companies that Pay Chairmen a Retainer			Number of Companies that Pay Chairmen a Fee		
		Range of Retainer	Median Retainer		Range of Fees	Median Fees
Audit	70	\$ 600-\$27,000	\$3,000	58	\$175-\$ 2,500	\$ 675
Compensation	38	\$ 600-\$25,000	\$2,500	37	\$250-\$ 1,500	650
Executive	10	\$ 600-\$30,000	\$2,000	20	\$250-\$ 1,500	\$ 580
Nominating	28	\$ 600-\$15,000	\$2,500	22	\$250-\$ 1,500	\$ 725
Finance	14	\$1,500-\$25,000	\$4,250	9	\$500-\$12,000	\$1,000
Employee benefits/pension	5	\$1,000-\$ 5,000	\$2,000	9	\$200-\$ 1,000	\$ 500
Public policy	9	\$2,500-\$10,000	\$3,000	4	\$350-\$ 1,000	\$ 725
Stock option	3	\$1,000-\$ 2,040	\$1,500	4	\$300-\$ 650	\$ 455
Planning	1	\$2,040	\$2,040	3	\$250-\$ 650	\$ 560
Human resources	12	\$1,000-\$20,000	\$2,750	8	\$250-\$ 1,500	\$ 850
Investment	6	\$1,500-\$15,000	\$6,750	9	\$250-\$ 700	\$ 500
Contributions	3	\$ 600-\$ 4,000	\$1,500	2	\$250-\$ 1,500	\$ 875

¹Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees can not be determined from the data.

Table 28: Compensation of Chairmen of Board Committees, Nonfinancial Service Companies¹

Committee	Number of Companies that Pay Chairmen a Retainer			Number of Companies that Pay Chairmen a Fee		
		Range of Retainer	Median Retainer		Range of Fees	Median Fees
Audit	71	\$ 900-\$20,000	\$ 2,500	40	\$ 100-\$3,000	\$ 750
Compensation	53	\$1,000-\$24,000	\$ 3,000	31	\$ 100-\$1,500	\$ 750
Executive	20	\$1,000-\$25,000	\$ 3,000	15	\$ 450-\$1,500	\$ 750
Nominating	33	\$1,000-\$12,000	\$ 2,000	15	\$ 100-\$1,500	\$ 750
Finance	24	\$1,000-\$45,000	\$ 3,000	8	\$ 350-\$1,000	\$ 750
Employee benefits/pension	10	\$1,000-\$ 6,000	\$ 3,000	6	\$ 500-\$1,000	\$ 725
Public policy	9	\$1,000-\$18,000	\$ 2,500	5	\$ 350-\$1,500	\$ 800
Stock option	1	\$3,000	\$ 3,000	3	\$ 750-\$1,000	\$ 800
Planning	3	\$1,250-\$25,000	\$ 2,000	3	\$ 350-\$1,250	\$ 800
Human resources	4	\$1,000-\$ 5,000	\$ 3,250	3	\$1,000-\$1,250	\$1,000
Investment	4	\$1,500-\$18,000	\$ 6,250	1	\$1,000	\$1,000
Contributions	1	\$18,000	\$18,000	0	—	—

¹Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees can not be determined from the data.

Table 29: Number of Committees Reported per Company, by Industry Category

Number of Committees	Total Number of Companies Reporting Each		Manufacturing		Financial		Nonfinancial Service	
		Percent	Number of Companies	Percent	Number of Companies	Percent	Number of Companies	Percent
1-2	116	15%	54	16%	28	14%	34	13%
3-4	410	52	170	51	102	49	138	55
5-6	229	29	91	27	66	32	72	29
7-8	38	5	19	6	11	5	8	3
Totals	793	100%	334	100%	207	100%	252	100%

Table 30: Number of Committees Reported Per Company, by Company Size

	Company Size Categories ¹ (Millions of Dollars)					
	Under \$100	\$100-\$199	\$200-\$499	\$500-\$999	\$1,000-\$2,999	\$3,000 and over
335 Manufacturing Companies						
Number of companies in each category . . .	45	27	57	42	77	87
Range of number of committees reported . .	1-5	1-5	1-6	1-7	1-8	2-7
Median number of committees reported . . .	3	3	3	4	4	5
Mode ²	3	3	4	3,4	5	5
208 Financial Companies						
Number of companies in each category . . .	7	13	26	21	36	105
Range of number of committees reported . .	1-6	1-7	2-8	2-8	1-8	1-8
Median number of committees reported . . .	3	3	4	5	4	4
Mode ²	3	3	4	4	4	3
251 Nonfinancial Service Companies						
Number of companies in each category . . .	36	25	40	47	55	48
Range of number of committees reported . .	1-5	1-7	1-7	1-6	2-8	3-7
Median number of committees reported . . .	3	3	4	4	4	5
Mode ²	2	3	4	4	4,5	5

¹Measured in sales for manufacturing and nonfinancial services, assets for financial.

²If the greatest frequency of mention is common to more than one value, all such values are listed as modes.

Table 31: Number of Meetings Per Year of Principal Committees, by Industry Category

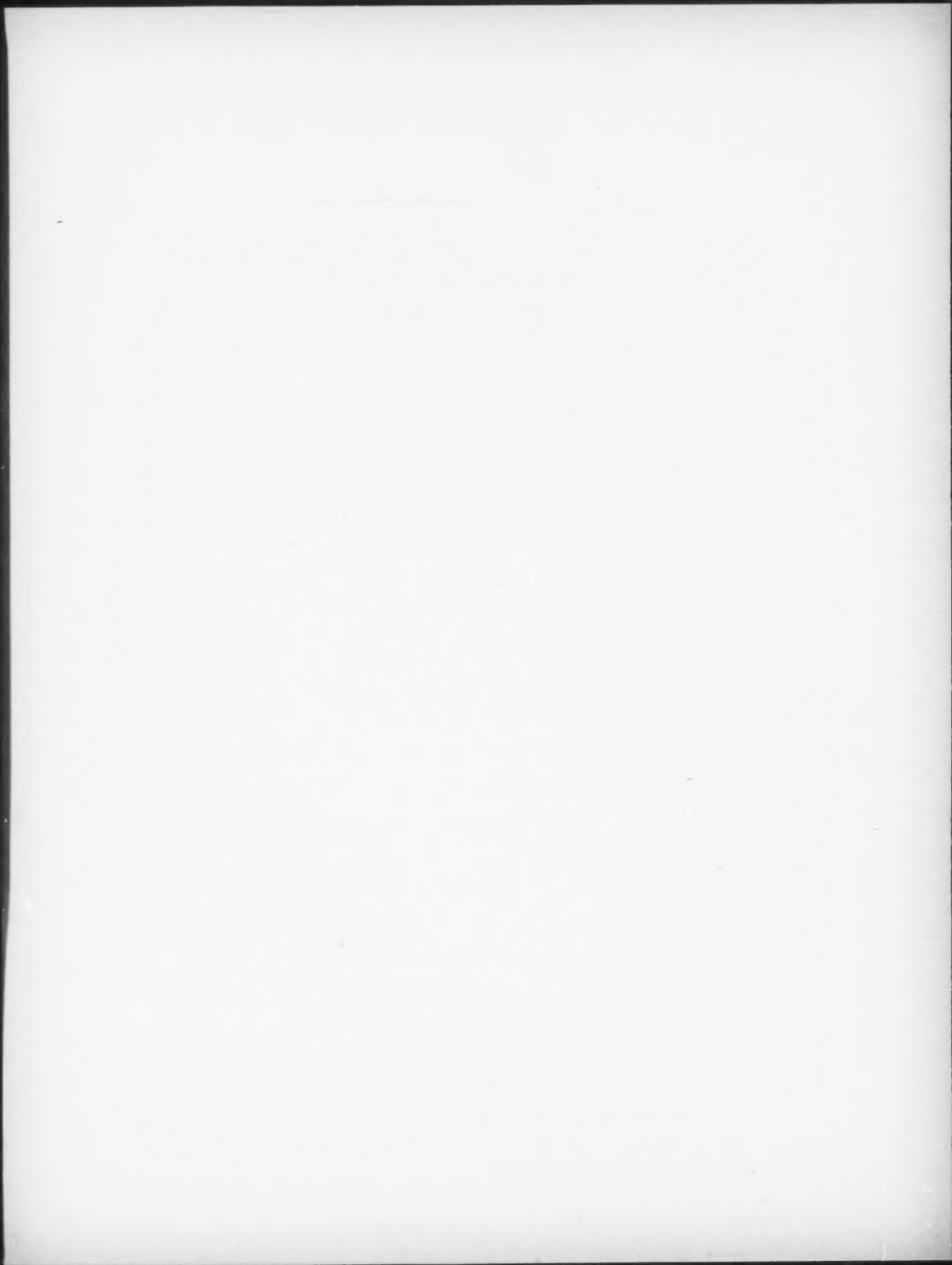
Committee	Manufacturing Companies			Financial Companies			Nonfinancial Service Companies		
	Range of Meeting			Range of Meeting			Range of Meeting		
	Frequencies	Median	Mode ¹	Frequencies	Median	Mode ¹	Frequencies	Median	Mode ¹
Audit	1-17	3	2	1-12	4	4	1-10	3	2
Compensation	1-11	3	2	1-12	3.5	4	1-9	3	2
Executive	0-40	2	1	0-52	4	12	0-50	2	1
Nominating	0-6	2	1	0-7	1	1	0-60	1	1
Finance	0-12	4	4	2-12	12	12	1-8	3.5	4
Employee benefits/pension	1-6	2	2	0-12	2	1	1-15	3	2
Public policy	1-10	3	2	1-5	3	4	1-5	2	1
Stock option	0-12	2	1,2	1-7	1	1	0-10	2	1
Planning	0-7	2	2	0-4	2	1,2,4	0-50	2	2
Human resources	1-9	3	1,3	2-12	5	6	2-7	6	6
Investment	2-11	4	4	1-52	4	4	1-5	4	4
Contributions	1-8	1.5	1	1-3	1.5	1	2-6	3	2,3

¹If the greatest frequency of mention is common to more than one value, all such values are listed as modes.

Table 32: Number of Meetings Per Year of Six Principal Committees, by Company Size

Committee	Company Size Categories ¹ (Millions of Dollars)					
	Under \$100	\$100-\$199	\$200-\$499	\$500-\$999	\$1,000-\$2,999	\$3,000 and over
<i>Manufacturing Companies</i>						
Audit						
Range of meeting frequencies	1-4	1-5	1-6	2-6	1-6	1-7
Median	2	2	2	3	3	3
Compensation						
Range of meeting frequencies	1-5	1-4	1-5	1-6	1-11	1-11
Median	2	2	2	3	4	4
Executive						
Range of meeting frequencies	0-20	0-12	0-10	0-7	0-25	0-40
Median	1	3	2	1	1	2
Nominating						
Range of meeting frequencies	1-2	1-3	0-4	1-5	0-5	0-6
Median	1	1	1	2	2	2
Finance						
Range of meeting frequencies	—	—	1-2	—	2-8	0-12
Median	—	—	1.5	—	4.5	4
Employee benefits/pension						
Range of meeting frequencies	4	1-4	1-5	1-5	1-6	1-5
Median	4	2	2	2	3	3
<i>Financial Companies</i>						
Audit						
Range of meeting frequencies	1-4	2-12	1-10	2-12	1-12	2-12
Median	2	4	3	4	4	4
Compensation						
Range of meeting frequencies	1-4	1-5	1-4	1-5	1-12	1-10
Median	3.5	2.5	2	2	4	4
Executive						
Range of meeting frequencies	1-4	0-24	0-52	0-52	1-52	0-52
Median	3.5	4	3.5	3	10	4
Nominating						
Range of meeting frequencies	1	1-2	1-3	0-2	1-5	0-7
Median	1	1	2	1	1.5	2
Finance						
Range of meeting frequencies	—	—	—	2-12	—	12
Median	—	—	—	7	—	12
Employee benefits/pension						
Range of meeting frequencies	—	2	1-4	1-4	1-12	0-5
Median	—	2	1	2	3	2
<i>Nonfinancial Service Companies</i>						
Audit						
Range of meeting frequencies	1-10	2-6	1-5	1-6	1-8	2-6
Median	2	3	3	3	3	3
Compensation						
Range of meeting frequencies	1-6	1-7	1-7	1-6	1-7	1-9
Median	2	3	3	3	3	4
Executive						
Range of meeting frequencies	0-15	1-10	0-12	0-12	0-24	0-50
Median	4	4	2	2	2	2
Nominating						
Range of meeting frequencies	1-2	1-4	1-4	0-4	1-60	1-9
Median	1	1	2	1	1	2
Finance						
Range of meeting frequencies	1-4	1-3	1-7	1-3	2-6	2-8
Median	4	2	4	1	4	4
Employee benefits/pension						
Range of meeting frequencies	1-4	1-6	2-15	1-4	1-4	1-12
Median	2	3	3	3.5	2.5	3

¹Measured in sales for manufacturing and nonfinancial services, assets for financial firms.



Chapter 4

Benefits for Directors

This chapter presents information about the prevalence of various benefits offered to outside directors in addition to their cash compensation, and shows which benefits are gaining in popularity. In addition, the 1989 survey provided detailed information about one of the most popular benefits, deferred compensation.

How Many Companies Provide Benefits

Overall, 93 percent of the companies in the survey have at least one form of benefit for their outside directors. This count includes as a benefit directors and officers liability insurance (D&O), which is carried by 81 percent of the respondents. If D&O is not counted as a benefit on the grounds that it has become all but a necessity, then 80 percent of the respondents still provide at least one benefit. All these numbers are basically unchanged from last year.

The median number of benefits provided per company ranges from none to as many as ten (four companies, three of them manufacturers, report ten benefits). However, the median is three, as Table 33 shows. The table's figures also indicate that only about one-fourth of the respondents offer their directors more than four benefits.

In Table 34, which shows numbers of benefits per company in the three major size groups by company size categories, it is evident that the larger the company, the more benefits it is likely to offer.

Types of Benefits

Table 35 lists those benefits that were reported by at least ten companies, divided into benefits that are a form of insurance coverage and those that are not. Once again, only two—D&O insurance and deferral of annual board compensation—are reported by a majority of companies.

Comparisons with last year's figures indicate little or no change in most cases. The figures for four benefits are worthy of comment:

- **D&O insurance:** The percentage of companies offering this protection to their outside directors held steady at 81 percent, arresting a slide from 88 percent three years ago. This reflects the fact that the supply of this type of

coverage, which had become difficult to obtain (as well as expensive), has now returned to around normal.

- **Deferred compensation plans:** This benefit rebounded from a dip in prevalence last year, an indication that tax changes effective in 1988 have not significantly reduced the attractiveness of this kind of plan.

NOTE: This year's survey gathered details on deferred compensation plans, which are presented in the section that follows.

- **Retirement (pension) plan:** Providing post-retirement payments similar to employee pension benefits (including qualifying service requirements) had been on the increase over the past few surveys; this survey shows at least a temporary halt in that upward trend. Tables 36 and 37 present figures on such plans that show them to be least popular in the financial sector and most popular in the largest companies in all industries.
- **Stock options:** Table 35 shows that giving outside directors options to buy company stock continues to increase; 17 percent of this year's respondents do (or have done) so.

Deferred Compensation Plans

The option of deferring the receipts of annual compensation to a later time (usually retirement from the board) remains the only director benefit other than D&O insurance that is offered by a majority of firms. Fifty-four percent of this year's respondents offer their outside board members such a plan. The questionnaire was augmented this year in order to gather some details about how these plans work and what their options and other features are. That information is presented below.

In most plans, compensation is set aside in the form of cash. However, some firms also offer the choice of deferring pay as company stock, and let the director decide how much to put into each plan. In one company, the non-cash alternative is not stock, but U.S. Treasury Bills. (See "Deferring Compensation in the Form of Company Stock," page 25.)

The fact that slightly more than half of the surveyed companies offer the deferred compensation option is impressive, but it is also misleading. Respondents were asked how many of their outside directors, in percentage terms, avail

themselves of this opportunity. The answers ranged from none to 100 percent—but the median—in all three industry categories—was only 25 percent. Only 11 companies, in all, have 100 percent participation in their deferred plans.

Comments by respondents varied greatly as to whether the level of interest in this benefit has decreased, for tax or other reasons. Some believe that deferred compensation has become less attractive, in most cases because of tax changes. (Lowered maximum current rates make deferring taxation of income to a later time less advantageous. In any event, much of the former ability to postpone tax liability for deferred pay has been eroded by other tax changes.) Others find no change in the attractiveness of deferring compensation, and still others say they are unable to assess the impact of changes or to attribute any particular motives for choices made by their outside board members.

Amount that May Be Deferred

Out of the 437 companies that permit outside directors to set aside annually earned compensation, 18 percent give only one choice to those who participate, which is to defer all their pay. Twenty or so additional firms limit the choice to the amount of the annual retainer, or to a predetermined dollar amount. But the majority give directors *more than one option*.

By far the most common method—followed by two thirds of the plans—is to give the individual director an *unrestricted choice* of any amount he or she prefers, up to the entire amount of annual pay. Some of the other companies (roughly 10 percent) limit the choice by offering a *predetermined set of options*. This can be done in a variety of ways, as the following summary shows (options are listed roughly in order of frequency of mention within each category):

- a. A choice of the amount of the annual retainer OR the total of per-meeting fees OR both (in other words, total compensation). In one case the choice is either the retainer or the retainer-plus-fees; fees alone cannot be selected.
- b. A choice based on the annual retainer:
 - (1) Either 50 percent OR all of the retainer
 - (2) 25 percent OR 50 percent OR 75 percent OR all of the retainer
 - (3) The cash portion only (excluding the stock portion if there is one)
 - (4) Any portion (or all) of the retainer
- c. A percentage of total annual compensation:
 - (1) 25 percent OR 50 percent OR 75 percent OR all
 - (2) Either 50 percent OR all
 - (3) Anything from 10 (or 15) percent up to 100 percent

Some companies require that the amount a director chooses to defer in a given year must be at least equal to a specified dollar *minimum*. For example, \$2,000, \$3,000 or \$5,000 (mentioned most often), and sometimes \$10,000. Where there is a minimum, a director wishing to defer a greater amount may

have to select it by using specified increments above the minimum; mentioned are increments of \$1,000 and of 5 percent.

In a few companies, there is a *maximum* amount that a director may defer in a year (\$15,000, \$20,000, \$25,000, or 20 percent of annual pay).

Some plans have unusual features. A few limit annual deferment for directors in the age bracket 65-69 to the amount that they may earn before losing Social Security benefits. One firm, which provides both a cash and a Treasury Bill option for deferment, allows (1) 100 percent participation in the T-Bill component, (2) a 75-25 percent split, or (3) a 50-50 split.

How Interest or Other Value Accrues

About 98 percent of the 437 companies with deferred compensation arrangements for directors pay interest on the accruing funds if it is a cash plan, or provide for dividend accumulation or value appreciation (or both) if deferred pay is credited in the form of company stock. Some companies have both kinds of plan, in which case the individual director's choice of plan dictates how his or her deferred compensation will accumulate value.

A bank lending rate: The practice reported most frequently is to base the interest rate for the plan on a bank lending rate such as the prime rate of a designated bank in the company's region. This is how interest is determined at 119 companies, or 27 percent of those with a plan.

The rate paid on specified U.S. debt instruments: The second most common method of choosing a rate of interest is by basing it on the yield of a Federal government instrument, such as a Treasury Bill. Seventeen percent use this method, which can take various forms, as the following examples—by no means a complete list—suggest:

- One-fourth (paid quarterly) of the annual yield on 90-day Treasury Bills;
- Average ten-year Treasury Note rate plus 5 percent;
- Average 90- and 180-day Treasury Bill yields;

The rate paid on specified corporate or other private debt instruments: Just under 10 percent of all plans pay an interest rate pegged to that of corporate lending instruments. Usually the source for this figure is a bond rating service such as Moody's or Standard and Poor's. The company might pay the prior year's average annual rate reported by such a service for industrial bonds of a designated grade such as Aa, for example. Some firms add an additional amount to this rate (for example, two percent, three percent, four percent, or 50 percent.) Utility and telephone bonds were mentioned by a couple of companies as their source; one cited General Motors Acceptance Corporation's commercial paper. In one case the rate is what the company charges on its own one-year loan instruments.

Dividends (company stock plans): About 20 companies have a plan in which the compensation deferred by a director is credited to the director's account in the form of com-

pany stock rather than cash. Most of the companies that have a stock plan pay dividends on the credited shares; a few of them automatically reinvest these dividends in additional shares for the director's account. These plans presume an additional gain for the director in the form of appreciation of the value of the company's stock by the time of payout. At least some of these plans do not actually pay in stock when the time comes; they pay the equivalent value in cash. (Some of these stock plans, as already mentioned, are offered in addition to a cash deferment plan.)

A rate selected by the director: Nineteen firms enable the individual director to pick an interest rate from two or more possibilities offered by the company. Examples of these options appear in an accompanying box (see below).

Other methods: In addition to the methods already covered for setting a rate of interest payable on deferred compensation accounts, numerous other methods were reported. Chief among them is the use of the rate earned by the company on its short-term investment portfolio. Several firms mention the rate earned by the principal or fixed or guaranteed fund of the company's 401(k) savings and retirement plan. A few firms establish a fixed rate that takes into account what the director's length of service will be at retirement time. Several use a rate selected by the committee overseeing the plan, by a designated executive, or by the board of directors. Some financial firms use a rate that they pay to their customers on a designated account or a certificate of deposit. Still other methods will be found in the box at lower right.

The Interest Rate to Be Paid on Accruing Deferred Compensation: Examples of Choices Offered to Outside Directors

As indicated in the text, some companies offer the individual director a choice from which he or she can select a rate of interest (or other basis) that will be credited to funds set aside in a deferred account. Examples of such choices are:

The yield on 90-day certificates of deposit OR a current bank lending rate OR an insurance investment yield.

(A manufacturing company)

The yield on a mutual fund investment (of the director's choice) OR the yield on a certificate of deposit OR a rate requested by the director and acceptable to the company.

(A manufacturing company)

The rate earned by the company on its short-term investment portfolio OR the rate on a U.S. debt instrument.

(A manufacturing company)

The rate paid on the company's own commercial paper OR a rate based on a stock index OR the yield on a specified money market fund.

(A diversified company)

There are also some companies in the survey that try to maximize the yield on deferred director compensation by paying the *highest rate* among pre-selected alternatives—usually two—chosen by the company, instead of using just one benchmark. A few examples of this highest-yield approach are given in the box on page 24.

Frequency of Interest Calculation

Interest on deferred accounts is computed quarterly by the great majority of companies. Reported much less frequently are annual, monthly, and semiannual intervals; 16 companies use a system that differs from all of these.

When Disbursement of Deferred Compensation Begins

Eighty-one percent of the plans (320 companies) give directors some say as to when they will begin to receive payment of their deferred board pay. The tabulation below shows that manufacturing companies are somewhat less likely to give directors a choice in this matter:

Industry Group	Percent of Plans that Offer an Option for Disbursement Date
Manufacturing	77%
Financial	83
Nonfinancial service	84

Additional Examples of How Interest Rates for Deferred Funds Are Determined

In addition to those methods mentioned in the text or in other boxes, companies cite yet other methods of establishing a rate of interest, including the following:

The rate earned on the bank's mortgage portfolio.

(A bank)

One percentage point above the New York Federal Reserve discount rate as of December 31 each year.

(A diversified company)

The highest rate paid on the primary bank's Individual Retirement Accounts.

(A bank holding company)

The rate earned by the Rabbi trust established to secure the funds.

(A manufacturing company)

A rate specified by the Secretary of the Treasury pursuant to Public Law 92-41, 85 Stat. 97.

(A manufacturing company)

The rate set annually by the New York State Public Service Commission for interest applied to customer accounts.

(A utility)

Examples of Interest Rates Based on the Higher Yield of Specified Alternatives

Some companies credit interest to deferred compensation accounts on the basis of the highest yield realized among a choice (usually two) of possibilities. Examples:

The higher of 90- and 180-day certificate of deposit yields at banks in Philadelphia OR yields on 90- and 180-day Treasury Bills.

(A manufacturing company)

The higher of the prime rates charged by a New York City bank OR the maximum rates for deposits under \$100,000 for less than 10 years.

(A financial firm)

The highest earnings on an index OR the yield on a specified insurance investment.

(A financial firm)

The highest of the prime rates charged by a New York bank OR a weighted average rate on the company's long-term debt for the prior year OR 7 percent.

(A utility)

Two out of five (41 percent) of the companies offering a choice give their directors *more than two options* as to when disbursement will begin. The following tabulation shows the relative availability of various choices reported. Not surprisingly, the choice offered most often is to start payment when the director retires from the board:

Options for Commencement of Disbursement	Percent of Plans Offering Each Option
On retiring from the board (or a specified time thereafter)	86%
On leaving the board for reasons other than retirement	56
A time specified by the director	46
On reaching a specified age	24
On retiring from his or her principal occupation	11
A different situation than any of the above	18

Note from this tabulation that close to half of the plans allow the individual director to designate the time of his or her choice, presumably one that differs from others on the list. An analysis of explanations of how this option works in

109 firms confirms that close to two-thirds of these firms do give the director an unfettered choice to pick a date (57 companies) or an age (13 companies) at which payments will start, including a time prior to retirement. The remaining one third place at least one form of restriction on the choice. For example, there may be a requirement that the date or age selected:

- not predate retirement or other departure from the board;
- allow a specified period (a year, a month) to pass after the director leaves the board before payment begins;
- occur no *later* than a specified time following leaving the board;
- fall on a specified day or month of the year;
- not exceed a maximum;
- not result in lost benefits under Social Security;
- be approved by a committee of the board of directors.

Hardship or Emergency Payments

Just half the plans (51 percent) provide that payment may be accelerated or paid in a lump sum if a director can demonstrate hardship or an emergency to the satisfaction of the committee administering the plan or the board of directors.

How Disbursements Are Made

Once the time comes, how do directors receive their deferred compensation? Here, too, companies give their directors a great deal of flexibility. Three-fourths of the plans (74 percent) let participants choose whether they want to receive their money in installments or receive a lump-sum payment of the entire amount (most of those that do not offer a choice make installment payments, typically annual) and 63 percent give directors some say in how long the total payment period will be. (More details on these choices are given below.)

• *Installment intervals:* A majority of plans that offer installment payment as an option let the director choose what the installment intervals will be. The option offered most often is annual payments (174 companies). Mentioned less frequently are quarterly payments (71 companies) and monthly ones (53 companies). Forty-two companies indicate another choice such as semi-annual, or simply let the director request any schedule he or she wants.

• *Length of payment period:* Only 11 percent of the plans predetermine what the total length of the period of payment will be, once payments begin. Thus, almost 90 percent give directors some choice.

The payment period option reported most often is ten years (113 companies, or 26 percent of those with plans). Other periods mentioned as available are five, 15 and 20 years. Quite a few companies let the director specify any period of years within a range—usually capped at ten—or place no restrictions at all. Some establish a minimum length-maximum length bracket (for example, no shorter than two years, no longer than ten; no shorter than five years, maximum ten).

Deferring Compensation in the Form of Company Stock

Overall, 14 percent of those companies that provide for compensation deferral enable directors to take payment in the form of company stock. Manufacturers follow this practice to a greater extent than do the other industry groups; more than half the companies with this feature are manufacturers (31 of the total of 56). It is also more likely to find this method of payment in the very largest companies, those with sales or assets of \$3 billion or more; 29 of the plans that pay out in stock are firms of this size.

Five industries account for half of such plans found in the manufacturing group: conglomerates (five companies), chemicals (three), petroleum (three), food (two), and electrical industrial equipment (two). Of the 11 financial firms with the stock payout feature, six are bank holding companies and three are providers of diverse financial services—very large companies. Similarly, nine of the fourteen nonfinancial service companies following this practice are utilities (also very large firms).

Securing Deferred Funds

Four out of five companies with deferred plans do *not* secure the amounts set aside. The 20 percent that do secure them reported the following methods:

Rabbi trust	52%
Corporate-owned life insurance	25
Escrow account	11
Other method	12

If A Director Dies Before Payment

One-half (49 percent) of the plans provide that if a director dies before receiving all (or any) of the deferred compensation to which he or she is entitled, the beneficiary or estate gets a lump-sum payment of the unpaid portion. About one-third of the plans permit directors to make their own preselection of what method of payment would be used, including installments if desired. (Only 7 percent of all plans automatically make installment payments in this situation.)

Table 33: Number of Benefits for Outside Directors per Company, in 805 Companies¹

Number of Benefits	Number of Companies Reporting This Number	Percent
None	66	8%
1	148	18
2	134	17
3	146	18
4	98	12
5	81	10
6	72	9
7-8	42	5
9-10	18	3

¹Includes directors and officers liability insurance.

Table 34: Number of Benefits for Outside Directors Per Company, by Company Size¹

Company Size by Sales (Millions of Dollars) ²	Median Number of Benefits Per Company					
	339 Manufacturing Companies		212 Financial Companies		253 Nonfinancial Service Companies	
	Range	Median	Range	Median	Range	Median
Under \$100	0-3	1	0-5	1	0-3	1
100-199	0-4	2	0-3	1	0-5	2
200-499	0-9	2	0-4	2	0-9	3
500-999	0-7	3	0-6	2	0-9	3
1,000-2,999	0-8	3	0-6	2	0-9	3
3,000 and over	0-10	5	0-9	3	0-10	5

¹Not counting directors and officers liability insurance, or reimbursement of expenses of attending meetings.

²Financial companies are measured by assets.

Table 35: Principal Insurance and Other Benefits Provided to Outside Directors¹

Benefit	Number and Percent of Companies Mentioning		
	1989 Number of Companies	1989 Percent	1988 Percent
<i>Insurance:</i>			
Directors and officers liability	648	81%	81%
Travel accident	304	38	38
Life	130	16	15
Accidental death and dismemberment	127	16	17
Medical and hospitalization	80	10	8
Dental	25	3	2
<i>Other Benefits:</i>			
Deferred board compensation	437	54%	51%
Matching donations (educational, cultural, philanthropic, other)	252	31	32
Retirement or pension plan	218	27	28
Stock options	134	17	14
Free or discounted company products or services	84	10	9
Physical examinations	14	2	2

¹Benefits reported by ten or more companies.

Table 36: Incidence of Retirement Benefit Plans for Outside Directors in 805 Companies, by Industry Category

Industry Category	Number of Companies With a Plan	Percent
Manufacturing	103	30%
Financial	46	22%
Nonfinancial service	70	28%

Table 37: Incidence of Retirement Benefit Plans for Outside Directors in 805 Companies, by Company Size

Company Size by Sales (Millions of Dollars) ¹	Companies with Plans, in:					
	Manufacturing		Financial		Nonfinancial Service	
	Number of Companies	Percent of Size Group	Number of Companies	Percent of Size Group	Number of Companies	Percent of Size Group
Under \$100	1	2%	1	13%	1	3%
100-199	2	7%	1	7%	0	—
200-499	9	16	4	15	8	20
500-999	12	29	3	14	14	29
1,000-2,999	27	35	5	14	15	27
3,000 and over	52	60	32	30	32	65

¹Financial companies are measured by assets.

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